India Ratings & Research
A Fitch Group Company

FitchGroup

Jayesh Mehta,
Vice Chairman and CEO
Mafatlal Centre, 11th Floor,
Nariman Point, Mumbai – 400 021

September 15, 2025

Dear Sir/Madam,

Re: Rating Letter for CP of DSP Finance Private Limited

This is in reference to Rating action commentary dated 11th September 2025

India Ratings and Research (Ind-Ra) has rated DSP Finance Private Limited's (DSP Finance) commercial paper as follows:

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/ Watch	Rating Action
Commercial paper*	-	-	-	INR1,000	IND A1+	Assigned

*Unutilised

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The manner of India Ratings factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in India where the rated security is offered and sold, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors.

Users of India Ratings' ratings should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information India Ratings relies on in connection with a rating will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to India Ratings and to the market in offering documents and other reports. In issuing its ratings, India Ratings must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

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It is important that you promptly provide us with all information that may be material to the ratings so that our ratings continue to be appropriate. For the purpose of issuance of captioned commercial paper programme, this letter is valid for 60 calendar days from the date of the letter. Once the instrument is issued, the above rating is valid for a maximum period of 1 year from the date of issuance. Notwithstanding the above, the rating is subject to review on a continuing basis, with formal reviews being undertaken at regular intervals of no more than 12 months. Ratings may be raised, lowered, withdrawn, or placed on Rating Watch at any time due to changes in, additions to, accuracy of or the inadequacy of information or for any other reason India Ratings deems sufficient.

Nothing in this letter is intended to or should be construed as creating a fiduciary relationship between India Ratings and you or between India Ratings and any user of the ratings.

We are pleased to have had the opportunity to be of service to you. If we can be of further assistance, please email us at infogrp@indiaratings.co.in

Sincerely,

India Ratings

K Gupta
Karan Gupta
Director

India Ratings Assigns DSP Finance's CP 'IND A1+'

Sep 11, 2025 | Securitisation

India Ratings and Research (Ind-Ra) has rated DSP Finance Private Limited's (DSP Finance) commercial paper as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/ Watch	Rating Action
Commercial paper*	-	-	-	INR1,000	IND A1+	Assigned

*Unutilised

Analytical Approach

Ind-Ra has taken a standalone view of DSP Finance to assign the rating.

Detailed Rationale of the Rating Action

The rating reflects DSP Finance's strategic benefits from being part of the DSP Group, which provides strong financial flexibility and potential liquidity and capital support. The rating factors in the company's investments in technology and the proposed acquisition of Salter Technologies Private Limited, which has already been approved by board of both the entities and is pending with National Company Law Tribunal for its approval. Both these factors are likely to aid retail franchise expansion. The rating also considers the management's strategy of expanding the loan against mutual funds (LAMF) business (which has a liquid collateral with adequate cover) as against wholesale finance (financial solutions group (FSG)). The company mobilised debt funding at competitive rates in 1QFY26. The ratings also factor in DSP Finance's comfortable capital position (nil leverage at end-FY25) and an experienced management team with prior experience in building similar businesses.

However, these strengths are partially offset by the company's nascent stage of operations, limited track record and product seasoning, and concentration risk arising from bulkier exposure in the FSG business and capital market volatility.

List of Key Rating Drivers

Strengths

- Part of the DSP Group
- Enablers for expanding franchise in place
- Experienced management
- Comfortable capital position
- Comfortable asset quality

Weaknesses

- Limited track record; nascent stage of operations

- Loan portfolio exposed to capital market volatility and concentration risk in FSG book

Detailed Description of Key Rating Drivers

Part of the DSP Group: DSP Finance is a middle-layer, non-deposit-taking non-banking financial company (NBFC) registered with the Reserve Bank of India and is part of the DSP Group, which has a long history in the Indian capital markets going back to the 1860s. The flagship entity, i.e. DSP Asset Managers Private Limited (DSP AMC), is closely held by the promoters and has a presence of almost three decades in the Indian asset management business The group in the past has built diversified businesses in financial services, including equity broking, primary dealership, investment banking, lending business, wealth management, and asset management.

DSP Finance and DSP Asset Managers Private Limited share common promoter entities, which follow a conservative financial policy. Their balance sheets reflect significant investments in liquid market instruments across equity and debt, providing adequate financial flexibility**.** DSP Finance will leverage existing relationships built by the DSP Group with corporates and large family offices for FSG business opportunities. Also, the management's in-depth understanding of the capital markets and the tech-enabled platform will help in growing the LAMF business.

Enablers for Expanding Franchise in Place: DSP Finance operates two secured lending verticals: retail loans against mutual funds and structured finance solutions for corporates.

The FSG business is majorly sourced through the senior management's network and also through the DSP Group's past relationships. In the retail segment, the company provides loans against mutual funds with a loan-to-value (LTV) ratio of 45% for equity mutual funds and 90% or below for debt mutual funds for a tenure of up to 36 months, restricted to approved schemes. As on 30 June 2025, the company reported an AUM of INR14,338 million, with the retail lending portfolio accounting for 62.0% of the same, and structured finance transactions constituted the balance. Ind-Ra expects the share of the retail portfolio to increase to about 75% over the medium term, driven by the company's focus on expanding its retail franchise and leveraging technology platforms for customer acquisition.

Furthermore, the company has filed an application with the National Company Law Tribunal for merger with Salter Technologies (operating under the brand name of Volt), which functions as a lending service provider and technology service provider. Volt has been leveraging its technological capabilities and a network of over 4,200 active distributors to facilitate secured credit against financial assets in both B2B and B2C segments. The integration with Volt is likely to strengthen DSP Finance's retail presence and enhance its scalability over the medium term. By integrating digital onboarding, data analytics, and customised product offerings, the company aims to unlock value from this segment, thereby deepening its retail penetration and further enhancing portfolio granularity. The technology has been completely built, and the management does not expect to undertake any major expenses towards the same.

Experienced Management: DSP Finance benefits from an experienced leadership team. The chief executive officer has over 35 years of experience in financial services, while the head of FSG business has more than 25 years of expertise in structured credit. The management team has a proven track record of building and scaling similar businesses in the past. The structured finance team, as per the management, has previously executed transactions aggregating to approximately INR200 billion, demonstrating execution capability.

The senior management's established relationships and industry goodwill support both business origination and underwriting practices. These relationships are instrumental in sourcing high-quality transactions and maintaining adequate risk management standards. Post merger, the expertise of Salter Technologies would play a pivotal role in building the retail business.

Comfortable Capital Position: DSP Finance has nil borrowings (as on 31 March 2025). The company reported a net worth of INR14,126 million as on 31 March 2025. The company's gearing remained nil from the time of commencement of operations until end-FY25. The capital-to-risk weighted assets stood at 112% at end-FY25. Moreover, the FSG portfolio is a fast-churning book, with shorter transaction cycles that enable quicker capital recycling. This dynamic helps release capital earlier than anticipated, thereby enhancing liquidity buffers and supporting ongoing growth without undue strain on equity.

The group operated with an AUM of approximately INR10,765 million at end-FY25. The DSP group plans to infuse equity in DSP Finance by end-FY26. The management expects rapid expansion of its retail operations, thereby constituting the need for external funding. Given the rise in the scale and size of the business, the gearing is likely to increase, with the management expecting to cap the same at 4x. Even in a stressed scenario, where the top two exposures in the overall book were to default, the impact on equity remains manageable as the book continues to show profits at end-FY26, with sufficient headroom preserved to absorb potential losses.

Comfortable Asset Quality: The company's asset quality remains stable, with nil gross non-performing assets (GNPA) at end-FY25, though this would need monitoring with seasoning and moderation in growth rates. The stable asset quality is supported by its lending strategy, which is primarily focused on loans against mutual funds—an asset class that is liquid and backed by adequate security cover. The company maintains a conservative loan-to-value (LTV) ratio of 45% on equity mutual fund scheme, lower than the regulatory ceiling of 50%, providing a significant collateral buffer and 90% or below for debt mutual funds. In the event of a shortfall, the pledged assets are liquidated within seven days, ensuring zero delinquencies to date.

The underwriting process of LAMF is largely automated, reducing manual intervention, and incorporates continuous collateral monitoring and margin management to maintain LTV discipline.

The FSG business has also reported zero delinquencies (as on 30 June 2025). However, given the bespoke nature of these transactions, the underwriting quality remains relatively untested.

Limited Operating Track Record; Nascent Stage Of Operations: DSP Finance commenced operations in September 2024 with disbursements in the FSG business through structured finance transactions, followed by the launch of retail lending against mutual funds in December 2024. As on 30 June 2025, the company's FSG book stood at INR5,420 million, up from INR3,000 million in September 2024. Meanwhile, the retail book expanded significantly to INR8,918 million by June 2025 from INR183 million in January 2025. Overall, the company reported an AUM of INR14,338 million at the end of June 2025. As a relatively new NBFC, DSP Finance lacks a long-term operating track record, which may pose challenges in attracting customers in the initial phase. Building a large retail customer base and distribution network will require time and sustained effort. The company's ability to leverage technology for customer acquisition and explore partnerships with financial institutions and intermediaries will remain a key monitorable.

In the FSG business, the company follows an originate-and-sell model while retaining a portion of loans on its balance sheet. Since inception, it has facilitated transactions worth more than INR43,890 million, of which INR32,970 million was disbursed through its own balance sheet and INR10,970 million was syndicated. While the management team has prior experience in building and operating similar corporate lending businesses within the DSP Group earlier, the company's ability to scale its loan book profitably remains a key monitorable, given its current reliance on a single retail product (loan against mutual fund) and competition in this segment.

Loan Portfolio Exposed to Capital Market Volatility And Concentration Risk In FSG book: The structured finance portfolio of DSP Finance exhibits a high degree of borrower concentration, with two counterparties accounting for nearly 75% of the FSG book as on 30 June 2025. This concentration poses a material risk to asset quality, as any adverse developments in these exposures could significantly impair the financial health of the portfolio. While the management has demonstrated execution capabilities and underwriting discipline, the concentrated exposure amplifies vulnerability to idiosyncratic shocks. The wholesale nature of the FSG segment inherently carries higher credit and counterparty risks, making the ability to sustain asset quality in this book a key monitorable.

The company operates in a highly regulated environment, wherein timely adaptation to regulatory changes is critical. Amendments such as enhanced disclosure norms or revisions in capital market frameworks can influence business models and profitability. Additionally, the company operates in a competitive and dynamic capital markets ecosystem, where collateral values are subject to market volatility. This necessitates robust risk management systems and agile portfolio monitoring. DSP's ability to maintain operational resilience, strengthen compliance frameworks, and differentiate through technology-driven solutions will remain key to mitigating these sectoral challenges.

Liquidity

Adequate: As on 30 June 2025, DSP Finance maintained liquidity of INR 6,571 million in the form of mutual funds, fixed deposits, and bank balances. In addition, the company had unutilised bank lines of INR900 million, providing further funding flexibility. The DSP Group, of which the company is a part, also maintains significant liquidity. The company benefits from the financial strength and flexibility of the Group, and support is expected in case of any exigencies. The management plans to maintain on-balance sheet liquidity for two months of debt servicing and operational expenditure or INR1,000 million, whichever is higher.

Rating Sensitivities

Positive: Not Applicable

Negative: The following events, individually or collectively, could lead to a negative rating action.

- material weakening of profitability
- deterioration in the company's asset quality
- significant increase in leverage levels (beyond 4x times) on a sustained basis
- a sustained deterioration in the company's liquidity profile

Any Other Information

Not applicable

ESG Issues

ESG Factors Minimally Relevant to Rating: Unless otherwise disclosed in this section, the ESG issues are credit neutral or have only a minimal credit impact on DSP, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

About the Company

DSP Finance is an RBI-registered NBFC operating under the DSP Group and it has emerged as one of the key players in the retail lending space by offering loan against mutual funds with an average ticket size of INR0.15-0.2 million for a tenure of 36 months. It also provides financial solutions to corporates.

Key Financial Indicators

Particulars	FY25
Total assets (INR million)	14,299
Total tangible equity (INR million)	14,126
Net income (INR million)	656.0
Return on average assets (%)	4.7
Return on average equity (%)	4.8
Debt/equity (x)	nil
Source: PCAPL, Ind-Ra Ratios are as per Ind-Ra's calculations	

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Rating Type	Rated Limits (million)	Current Ratings

Commercial Paper	Short-term	INR1,000	IND A1+

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Commercial paper	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity- indicators.

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About India Ratings

India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

The Rating Process

Financial Institutions Rating Criteria

Non-Bank Finance Companies Criteria